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STATE OF THE STATE ADDRESS

of the

HONORABLE THOMAS L. JUDGE
Governor of Montana

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STATE OF THE STATE ADDRESS BY GOVERNOR THOMAS L. JUDGE
STRICTLY EMBARGOED TO 6:00 P.M., THURSDAY, FEBRUARY 23, 1978

My fellow Montanans: In these early days of 1978, with the pages of a new year still largely unturned before us, I would like to share with you an assessment of 1977 and an appraisal of what is before us.

As we look back on 1977, we look back on a year of challenge as well as achievement. The challenges of 1977 were--and still remain--complex and vitally important to Montana.

No problem can be as devastating as those Mother Nature can impose on us--problems of the magnitude of the drought of 1977 and the blizzards of this winter. The disastrous blizzard which struck eastern Montana this month imposed great hardship on the people and livestock in that area. But it proved again the ability of state government to work with local governments and Civil Defense agencies, and demonstrated the high degree of proficiency of the Montana National Guard to respond to any emergency.

The greatest threat to the welfare of the state of Montana lies in federal interference and insensitivity to the needs and goals of our people. Federal regulations, determined in eastern areas of concentrated populations with interests foreign to our own, are often counter-productive and at cross purposes with our own goals. The federal farm program, health care guidelines, national water policy, and a recent move to reduce FAA flight service centers, are indications of a dismaying lack of understanding and concern on the part of the federal government toward the unique place that is Montana. We must practice constant vigilance to defend our right to decide our directions for ourselves.

We have only to look at our suffering agricultural industry to see the results of unrealistic federal policies. Years of low prices, unfair competition from foreign imports, and spiraling production costs, have combined to drive many Montana farmers and ranchers to the wall. Our farmers have found that the old cure-all of long hours and hard work will not solve their problems. There is not a manufacturer in the nation who is expected to sell his product for below cost of production--but that is exactly what our farmers are not only expected, but forced, to do.

Federal policy seems determined to drive production costs up and hold income down, instead of matching world hunger with agricultural bounty so that hungry people can be fed and farmers can be justly paid for their labor and their investments. The result of paralyzing federal policies is that our farmers have been driven to strike action. I applaud their conviction and I commend their action in taking their grievances to the market place.

I have trod many streets in behalf of Montana agriculture--including those streets known as "the halls of Congress." I have spent many hours meeting with the President, the Vice President, the Secretary of Agriculture and other Cabinet members, and with other farm-state Governors in efforts to solve agricultural problems. I have made persistent efforts to increase target and loan prices to at least equal cost of production. I will not falter in continuing to work in behalf of Montana's farmers.

In a determined effort to increase foreign markets for Montana grain, I went to Taiwan early last year. The result of that trip was an unprecedented sale of 42,000 metric tons of Montana identity-preserved wheat. A few weeks ago, the Republic of China came to Montana to buy 82,000 metric tons of Montana wheat and barley for almost \$10 million. And I have just returned from several days in Algeria at the invitation of that government,

negotiating a technical assistance contract which could lead to expanded agricultural exports and opportunities for Montana business and industry in the years to come.

The Old West Regional Commission, cooperating with Ambassador Strauss, has increased beef exports to Japan from 1,000 tons of quality beef to 10,000 tons. We believe there are good opportunities with Japan for expanded exports which will reduce the balance of payments deficit. The initiatives we have made in foreign trade are establishing a Montana identity in the international marketplace.

Early this month I met with President Carter and members of his Cabinet in Washington to stress the importance of creating a new International Grain Trade Agreement with a realistic price floor--one that is at least equivalent to the cost of production. Each year we sell about two times as much of our wheat to foreign countries as to American consumers, and those countries pocket high profits on our wheat before it gets to their consumers--higher than our farmers' cost of production. This great American grain giveaway--based on giveaway prices in the world market that are established by the United States--is not only a self-inflicted wound; it is also economic insanity.

We must work toward a livable international grain price. We must work to develop profitable foreign markets for our grain. And we must continue to press for realistic changes in the 1964 Beef Import Quota Law which now permits unfair competition from foreign meats--not counting imported live cattle and proceed beef as imports. Federal refusal to halt that inequity is crippling our livestock industry.

But agriculture is not the only problem facing this state. Our attention has been brought to focus on energy.

With the Arab oil embargo of 1973, energy supplies became a political and economic weapon on a world scale. In the search for sources to feed this nation's gluttonous energy appetite, the vast coal reserves of Montana caught the attention of the nation.

Coal production has increased steadily from one million tons in 1969 to over 27 million tons in 1977. But the economic benefits of coal development are not without often overlooked costs. With development comes an expanded population, and rapidly increasing costs of community support services. I have met again and again with Cabinet officers and other Governors to stress the urgent need for federal help to alleviate the great costs of developing our coal resources to meet national energy needs. Over 90 per cent of Montana's coal is shipped out-of-state; it is inexcusable that Montana taxpayers have to pay the bill that should be shared by the federal government.

I have carried the message for federal impact assistance to the President, the Secretary of Energy and the Secretary of Commerce. The prospect now looks good for an impact program, and I am pushing for assurance of sufficient funding to handle our needs.

Montana's 30 per cent Coal Severance Tax is a sound concept, and returns to the people of Montana for the first time in history a fair compensation for the exploitation of our resources. At the present time, that tax is being challenged by mid-west utilities. Our Coal Severance Tax helps provide funds for communities impacted by coal development, and contributes revenue to all state public services. In addition, part of the coal tax creates a permanent trust fund for future generations. I intend to fight this challenge to the bitter end, with all the resources available to me as Governor.

Rational development of our domestic oil and gas resources, together with a supply of Alaska crude oil via a Northern Tier Pipeline, are essential to insure continued high level operation of our refineries and to meet the needs of agriculture and transportation in Montana. Construction of the Northern Tier Pipeline, which I shall continue to support, would mean more jobs for Montanans. It would mean oil for our refineries. And it would mean an assured product for our industries and our consumers.

We in Montana realize that the only long-term solution to the energy problems of this state and this nation lies in the controlled and sensitive expansion of our non-renewable resources, the establishment of realistic habits of conservation, and the development of alternative, renewable energy sources. Alternative energy forms and uses were substantially promoted during 1977, with an emphasis on direct solar heating. In addition, I have pursued administration support for adequate funding of the Magneto-hydrodynamics research and development project in Butte, which promises long range and far reaching solutions to energy needs.

Last winter an exceptionally sparse snowfall left hydroelectric reservoirs at record low levels throughout the Northwest, and this state was threatened by the gravely reduced generating capacity of the region. Using the emergency powers enacted by the 1977 Legislature, I put into action a system of energy conservation. I met frequently with other Governors and with industry, utility and federal representatives to alleviate the impacts of the drought situation. I requested and received Presidential declarations for all 56 counties to make federal assistance available for eligible applicants. Although the drought has ended, the need for conservation remains and must become part of a new attitude of responsibility toward our way of life.

Since Montana both contributes to, and uses from, the hydroelectric generation capacity of the Northwest, it is mandatory to the welfare of this state that we continue to protect our interests in the Bonneville Power Administration, for the benefit of the future of Montana.

Over the past year, economic conditions in Montana have reversed the downward trend of the last two years and show significant improvement. I am pleased to be able to tell you that, for the first time since the recent recession, Montana's unemployment rates went below the national average and continues to run below that national rate. The number of employed persons in Montana increased nearly 22 per cent in 1977, and the unemployment rate last year was the lowest recorded in the past five years. Affirming this growth is the fact that new business firms increased by over 4,000 in 1977, compared to an increase of 2,800 in 1976.

The Office of Commerce and Small Business Development, for which I sought and received legislative funding last year, is working to develop opportunities for small businesses in this state--at the grass roots where economic health is most immediately felt.

Of concern to Montanans is the status of the federal highway system. Although neighboring states are nearing 100 per cent completion, Montana stands at 69 per cent completion because of federal hesitation in providing promised--and greatly needed--highway funds. In efforts to free federal financing to complete the interstate system, I have recently met with the Secretary of Transportation. I have been assured that 40 different federal fund categories which now restrict use of highway funds will be reduced to nine categories, making more flexible use possible.

I met a few weeks ago with administration representatives in Washington, and I am gratified that small towns and rural areas as well as large urban

areas will now be included in the President's National Urban Policy, with a budget of 3 to 4 billion dollars. The program points up the need for a flexible statewide balanced growth policy, developed with maximum citizen participation.

I cannot overemphasize the importance of the simultaneous preservation of a quality environment with the development of a strong and independent economy. Montana's economy is directly dependent on the quality and the sustained productivity of our agricultural lands, our forests, our waters, our minerals, and our natural beauty. Degradation of these resources would eventually spell the doom of our primary industries. We must realize that the long-term strength of our economic sector is inseparably connected to the long-term stewardship of our natural resources.

We have made significant progress in improving outdoor recreational opportunities for Montanans. The state acquired the Mt. Haggin Ranch near Anaconda, Wild Horse Island on Flathead Lake, 72 acres on Placid and Salmon Lakes, completed the Bicentennial State Park near Three Forks, and obtained 32 new fishing access sites last year. We are working to obtain funds to develop recreational sites on Fort Peck Reservoir and to improve facilities in all state parks, recreational areas, and historical sites.

It has been said that the stature of a government can be measured best by the compassion for its people. If that is the case, Montana has earned the right to stand tall. Although we have far to go, Montana has left the Dark Ages far behind.

Emphasis on the deinstitutionalization of residents in our state institutions has earned Montana the reputation of the best program in the nation, according to the Department of Health, Education and Welfare. The average annual cost for the community placed developmentally disabled was less than

\$11,000 per person last year, while institutional per capita costs were \$28,000--a savings of nearly \$18,000 per person per year. It is costing us far less to do a better job for these special citizens.

Overall conditions in Montana's institutions have improved substantially. Two new prison housing units are targeted for completion this year, and abandonment of the old prison facility means that we will be able to emphasize intelligent rehabilitation instead of mere incarceration of prisoners.

Montana can be proud of its accomplishments in making mental health services available to the citizens of this state. Over 18,000 people were served by mental health agencies in 1977, and three more counties have joined the original 45 counties which actively support and fund community mental health centers.

Legislation passed last year increased the tax on alcoholic beverages to generate funds for approved alcoholism treatment programs throughout the state. As a result, 21 new alcoholism programs have been established, making alcoholism services now available in all 56 counties.

During my 18 years in public service, I have constantly supported efforts to improve the lives of the senior citizens of this state. Many actions have been taken to relieve the harsh realities facing older Montanans. But much more must be done to secure retirement years of dignity and comfort for the elderly of this state. To do less is morally indefensible.

The emphasis on education in our state must continue to center on quality. I am pleased at the apparent progress that is being made over governance problems in vocational education, and in efforts to reduce unnecessary duplication and cost within our University System. However, I am

not optimistic that vocational education or the University of Montana will be able to maintain a quality environment under present financial constraints imposed by the Legislature at the recommendation of the Legislative Fiscal Analyst. In order to assure a quality educational system, we cannot allow funding to be made in a haphazard or simplistic manner.

The Medicaid program has been a matter of great concern recently because of a projected deficiency in the amount of state funds necessary to finance the program adequately through the biennium. The 45th Legislature cut our proposed Medicaid budget, and refused to implement recommended cost containment measures. Nursing home costs have increased from \$7 million to \$21 million in three years, and it is imperative that a new reimbursement schedule be established for nursing homes that will insure quality care at reasonable costs to the taxpayers. It will also be necessary to obtain additional funds from the 1979 Legislature to fund the Medicaid program through the remainder of this biennium. We do not intend to cut off eligible people from the Medicaid program, nor do we intend to reduce services unless we are unable to contain costs.

The Montana Human Rights Commission, which I appointed, has worked diligently to insure that equal opportunity becomes a reality. I will continue to work toward that goal. In state government, I am committed to immediate measurable progress in increasing the numbers of women, minorities, and handicapped in the state's more desirable jobs.

To the direct benefit of all Montanans, the Homestead Tax Relief Law provided over \$13 million in tax relief to over 148,000 Montana homeowners. To thousands of families and to senior citizens living on fixed incomes, that relief may spell the difference between keeping or losing their homes. We realize this is a first-step measure, and are searching for more ways to relieve the heavy burdens on property owners.

This administration has made measurable strides in the management of state government. This year marks the seventh consecutive year without a general tax increase to the people of Montana, and we have successfully maintained this state's economic health with a surplus in the general fund. We have reduced the number of public employees and will continue strict control over the growth of state government. Along with resisting federal interference in the lives of the people of Montana, we are now studying ways to reduce state regulations which hamper businesses.

We are not wards of the nation, to be force-fed and manhandled by a paternalistic federal government. We in Montana do not intend to stand passively by while a Big Brother Bureaucracy takes the reins of our lives and drives us into the ground. We do not intend to relinquish sovereignty of our lives and our land. We have proved our competence and our independence, and we will defend our right to determine our own destiny.

When the perspective of history looks back on today, our time will be seen as a time of decision, a time of responsible and creative action.

The future of every Montanan depends to one degree or another on the future of this state. I am committed without exception to making that future the best it can possibly be. With your help and your active participation, the best can be an accomplished reality.

To that end, I am determined to be a good servant.

Thank you.